

REINVESTMENT UPDATE

A publication of the San Diego City-County Reinvestment Task Force

Winter 2001

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Reinvestment Task Force*

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Task Force Explores Equity Fund Initiative

The Reinvestment Task Force is exploring an innovative, private-sector initiative proposed to address smart growth and affordable housing needs in San Diego's underserved communities.

Belden Daniels is the founder and President of Economic Innovation International, Inc., a company internationally recognized as a pioneer in developing market-driven economically targeted investment funds which achieve the highest standards of fiduciary responsibility, and produce risk-adjusted rates of return.

Since 1971, the firm has helped clients create funds and institutions that have generated more than \$50 billion of development capital in North America, Europe, and the Pacific Rim, with measurable job and wealth creation for hundreds of communities, more than 35 states, and more than a dozen countries.

Mr. Daniels will be attending the next Task Force board meeting to discuss developing a collaborative of funds targeted towards increased capital creation and access to capital in San Diego's underserved communities.

The Genesis Los Angeles real estate investment fund has raised \$85 million in investment capital and generated more than 5,000 jobs in underserved areas

The Bay Area Family of Funds is currently capitalized with \$70 million for targeted investments addressing affordable housing and job retention issues

✓ **Save the Date**

**Thursday, February 15
12:00 to 2:00 at
SANDAG
401 B Street, Suite 800**

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Task Force Explores Equity Fund

(Continued from Page 1) Grants are currently being pursued to start the initiative. The investments could generate more than \$100 million in smart growth and small business development in San Diego's underserved communities.

Belden met with the Task Force Board at their January 18 meeting to discuss the opportunity to develop a capital collaborative in San Diego similar to the Family of Funds in the Bay Area. Co-chairs County Supervisor Ron Roberts and Deputy Major George Stevens asked Belden to come to the next Task Force meeting to continue the discussion about the funds and to give key community constituents the opportunity to learn more about this initiative.

The Task Force encourages you to attend the meeting to learn more about this initiative on February 18 (lunch and parking validation provided). To RSVP and receive an agenda and information packet, please call Michael Lengyel at (858) 694-4873.

Master Plan Moves Forward

In 1999, the Task Force completed a countywide credit-needs assessment. The study evaluated the issues associated with credit availability in the region's low- and moderate-income communities, particularly in light of the closures and mergers among lending institutions in the county.

The completion of the study has provided a broad matrix of data and insight upon which to build a new strategy. Essentially that new strategy requires a proactive but feasible business plan that defines the most significant efforts needed to affectively address disinvestment in the San Diego region.

The Master Plan recommendations define the strategy the Task Force will pursue over the next three years for the benefit of the San Diego region.

The San Diego Reinvestment Master Plan is being proposed to provide a three year plan by which government, private lenders and community non-profit, housing and economic development agencies can maximize the potential of the Community Reinvestment Act for the San Diego region. It is an attempt to strategically anticipate and develop a structured response to economic and legislative changes, which have occurred nationally in recent years in the banking industry.

The plan calls for sourcing **more than \$100 million** in new capital, primarily from the private sector, to address identified needs in low-income communities. A significant portion would be for equity or quasi-equity investment in small businesses and affordable housing.

The scope, scale and magnitude of the proposed plan allows an opportunity for major lenders to strategically intervene, and to partner with government and the community to effect reinvestment in San Diego's low-income communities.

At their December 14 meeting, the Task Force board accepted the Master Plan and directed staff to forward it to the San Diego City Council and County Board of Supervisors with a recommendation that they approve it.

The Master Plan is docketed for the March 7 meeting of the Public Safety & Neighborhood Services Committee of the San Diego City Council. Pending their approval, the plan will then be forwarded to the full City Council for adoption.



New CDC in El Cajon

Downtown El Cajon is forming a new CDC with technical advice and assistance from their executive director Jim Bliesner.

Named the El Cajon Community Development Corporation. The new CDC will incorporate the projects planned or already in place by the existing – and highly successful – property-based business improvement district in Downtown El Cajon, but will significantly expand its scope to include housing and other elements of a broader community development approach.

Preliminary organization has been underway since August, and strategic planning commenced in January.

On another front, their newly-appointed board member Art Rivera of Washington Mutual is assisting Downtown El Cajon in its innovative International Women's Kitchen project – a business incubator effort that will assist new and established immigrants in the El Cajon area.

For more information on the new El Cajon CDC or the International Women's Kitchen project, contact Claire Carpenter, Executive Director of Downtown El Cajon, Inc., at (619) 401-8858.



CalPERS to Launch California Initiative

The California Public Employees' Retirement System (CalPERS) Investment Committee recently approved the concept of establishing a new private equity investment vehicle known as the California Initiative, which will be sponsored by the Alternative Investment Management (AIM) team at CalPERS.

An initial capital allocation of up to \$500 million has been approved for the vehicle, which may be subdivided among groups and may be invested in smaller amounts staged over time.

The California Initiative will invest in traditionally underserved markets primarily, but not exclusively, located in California. The objective is to discover and invest in opportunities that may have been bypassed or not reviewed by traditional, more mainstream sources of investment capital. These opportunities should offer attractive risk adjusted returns commensurate with their asset class.

By way of example, underserved markets would include urban and rural communities where assets and comparative advantages exist (e.g. available labor pool, lower cost real estate, underutilized infrastructure) conducive to business development. Underserved markets may also pertain to specific consumer groups that have limited access to goods and services that meet their needs.

CalPERS is currently soliciting proposals from interested qualified partners to assist with the development and management of the Initiative. They hope to make the final selections shortly.

CRA Sunshine Rules Finalized

The Federal Reserve Board approved new rules January 4 (effective April 1, 2001) requiring banks and community groups to disclose any agreements involving the federal Community Reinvestment Act. The rules were mandated by the 1999 Gramm-Leach-Bliley financial services modernization law.

The rules apply if a community group makes an agreement with a bank to receive or distribute loans of \$50,000 or more or grants \$10,000 or more. Government organizations, such as the Task Force, are exempt. The rules also don't apply if a financial institution simply makes an agreement to boost loans in certain neighborhoods as long as the loans are made at market rates.

Financial institutions have 60 days after the close of a quarter to submit copies of the agreements or a list detailing the agreements to the appropriate federal banking regulator. Community groups must report annually on the agreements and detail how the money was used. In most cases, the financial institution involved in the agreement will file the community groups' disclosures to the appropriate banking regulator.

City-County Reinvestment Task Force

Co-Chairs

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Deputy Major George Stevens

Directors

Bob Adelizzi - Public Member
Gordon Boerner - Lenders CRA Assn.
Marco Cortes - Hispanic Chamber
Lynn Hastings - Public Member
Joe Horiye - Asian Bus. Assoc.
Scott Kessler - AABA
Robert McNeely - Union Bank
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Deborah Ruane - Bank of America
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